
0100 INTRODUCTION

This Multistate Audit Technique Manual (MATM) is designed to aid auditors in the performance of multistate audits. It is intended both as a tool to familiarize auditors with multistate issues and audit techniques, and as a quick reference for more experienced auditors. The MATM contains discussions of the laws, cases and department policies affecting multistate taxpayers, as well as audit steps and techniques for examining multistate taxpayers.

As explained in [FTB Notice 1994-8](#), manuals provided for the guidance of the audit staff are not authoritative, and may neither be cited to support an audit position nor relied upon by a taxpayer. In addition, the MATM should never be considered to be a substitute for researching the laws and court or SBE decisions pertinent to an audit issue. Instead, the manual should be used as an initial step in understanding the issues. Proper use of the manual should provide direction for subsequent research, and will cut down on the time that would otherwise be needed.

The auditing methods and techniques suggested in this manual are intended primarily for guidance, and may not be necessary or applicable for every audit. Auditors should use discretion in deciding which techniques should be used in a particular audit. Furthermore, auditors are strongly encouraged to use their creativity and initiative to develop additional techniques.

Finally, the audit process is continually evolving as the tax law changes, as new SBE and court cases are decided, and as audit policies and techniques are developed and refined. To ensure the continued relevance of this manual, it is important that it be updated to reflect these changes. Any suggestions or corrections are welcomed, and may be provided via EMC, fax, or interoffice mail.

Reviewed: September 2003

0115 AUDIT OBJECTIVES

The primary responsibility for determining the correct amount of tax rests with taxpayers. In accordance with California Revenue and Taxation Code Sections 19501 - 19504, the department has developed an audit program. The goal of the department is to complete cases within 2 years of initial contact, 4 years from the date filed, or within a reasonable period as dictated by the circumstances of the case.

Purpose Of An Audit

The purpose of an audit is to effectively and efficiently determine the correct amount of tax based on an analysis of relevant tax statutes, regulations and case law as applied to the taxpayer's facts. The procedures and techniques needed to successfully complete an audit assignment will depend on the circumstances in each case. In all cases, established audit objectives and resource considerations govern how the procedures and techniques are utilized, and also the manner in which they are applied. Experience has shown that the best results are achieved through cooperation, effective communications, and setting and adhering to goals throughout the audit process. The BAP Audit Techniques Team, made up of our most successful and experienced auditors, has developed tools that will assist auditors in incorporating Best Audit Practices into their workloads. For further details regarding the following areas, see the appropriate Multistate Audit Procedures Manual section as referenced.

- Opening Conference (see MAPM 5015)
- Audit Plan (see MAPM 4070)
- Status Conferences (see MAPM 5050)
- Information Document Requests (see MAPM 5030)
- Audit Issue Presentation Sheets (see MAPM 5065)
- Position Letters (see MAPM 5080)
- Closing Conferences (see MAPM 5090)

Reviewed: September 2004

0125 AUDIT STANDARDS

As recognized professionals, auditors are expected to conduct themselves and their work in a manner that is both fair and effective. Auditors are expected to correctly apply and administer the tax laws in a reasonable, practical, fair and impartial manner. Audits should be conducted in a reasonable manner within the bounds of the law, with sound administration, minimal delay, courtesy and respect to taxpayers. To achieve these objectives, auditors should conduct audits in a manner, which is not unnecessarily burdensome, costly or intrusive to taxpayers. Our goal is to continually strive for quality, effectiveness, and economy in the services provided to taxpayers.

The audit process consists of identifying issues, obtaining, evaluating, and documenting information, and arriving at the correct determination, which is supported by a reasonable interpretation of the tax laws. Audits are to be conducted in adherence with the following audit standards in all cases:

- **LEGALITY** - Audit activities and conclusions must agree with established laws and legal interpretations.
- **OBJECTIVITY** - An objective examination of sufficient relevant, available factual data be made in a fair and unbiased manner.
- **TIMELINESS** - Audits must be conducted and completed promptly, with a minimum of inconvenience to taxpayers.
- **SUPPORTABILITY** - Recommendations must be adequately supported, consistent with both the facts and the law.

Reviewed: December 2002

0150 TO ORDER THE MULTISTATE AUDIT TECHNIQUE MANUAL

FRANCHISE TAX BOARD STAFF

The Multistate Audit Technique Manual is available on the Franchise Tax Board Inside Net. Consequently, FTB staff should seldom require hard copies of the Multistate Audit Technique Manual. On those rare occasions when printed copies are needed, they may be ordered from Technical Design.

PUBLIC CUSTOMERS

The Multistate Audit Technique Manual is available on the Franchise Tax Board Website at [\[http://www.ftb.ca.gov/aboutFTB/manuals/index.html\]](http://www.ftb.ca.gov/aboutFTB/manuals/index.html). Printed copies of the Multistate Audit Technique Manual may be ordered by sending a check or money order payable to the Franchise Tax Board to:

FRANCHISE TAX BOARD
TECHNICAL DESIGN
P.O. BOX 1468
SACRAMENTO, CA 95812-1468

For the current price, call (916) 845-3280 or write to the above address. You may also request Form FTB 4012 PUBLICATIONS PRICE LIST for a list of publications available for purchase.

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